GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:896
ANSWERED ON:27.07.2001
LOANS TO SMALL FARMERS
CHANDRA VIJAY SINGH

Will the Minister of FINANCE be pleased to state:

(a) the State-wise, number of farmers living below the poverty line and considered marginal and small farmers during the year 2000;

(b) whether the Government propose to introduce any scheme to allot easy loans to such small or marginal farmers;

(c) if so, the details of the scheme and the time by which it is likely to be implemented; and

(d) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN):

(a) The information is being collected and to the extent available, will be laid on the Table of the House.

(b) and (c) As per the standing guidelines issued by RBI to ail scheduled commercial banks,small and marginal farmers are already included for lending under direct finance to agriculture, which is included in the priority sector lending. However, with a view to strengthening the flow of credit to small and marginal farmers, certain relaxation in regard to margin money requirements, security norms, etc. have been extended to such borrowers under the priority sector. These include:

(i) Banks should not insist on margin money for crop loans/term loans granted to farmers upto Rs. 10,000/-;

(ii) Banks should not insist upon collateral security/ third party guarantee for crop loans upto Rs. 10,000/-. Hypothecation of crops can be taken as security;

(iii) As regards loans above Rs. 10,000/- banks have the discretion in the matter relating to margin security;

(iv) Payment of interest should be insisted upon only at the time of repayment of loan/instal -ments fixed;

(v) Banks should not compound interest on current dues in respect of long duration crop loans and instalments not falling due in respect of term loans;

(vi) Total interest debited to the account of small and marginal farmers should not exceed the principal amount in respect of short-term advances.

(d) Does not arise in view of (b) and (c) above.